

CPM Expert Series<sup>4</sup>  
An insight into adopting a  
CPM solution.

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## AN INSIGHT INTO THE ADOPTION OF A CPM SOLUTION

The revolution of improved front office finance applications is upon us. Organisations require more sophisticated software to assist finance departments with delivering more performance-related information and truly become strategic partners to the operations. As a result, organisations can become more agile and ultimately retain their competitive edge. With today's staggering pace of mergers and acquisitions and the globalisation of trade, executives recognise the need for a better way to evaluate their strategies and manage change.

So how can you be sure that the solutions the vendors offer are the integrated applications they claim to be? How can you be sure that any of them will live up to their claims and deliver the expected benefits once a solution has been purchased? This paper will provide an insight to the evolution of Corporate Performance Management (CPM) solutions and present a framework to help you evaluate software vendors.

### The road to Corporate Performance Management

Over the years, the pace of business has increased dramatically. Organisations require more efficient ways of speeding up the processes of planning, reporting, and analysis. Around the mid 1980's, the increasing availability of PCs and the further development of client-server technology resulted in the explosion of end-user systems that could better analyse the data that became available and thus serve the

needs of the executive community in a more efficient manner.

The early 1990's saw vendors providing solutions that specialised in specific areas such as planning, budgeting, regulatory reporting and analysis. The general strategy of the vendor seemed to be to attain the 'best of breed' status in a particular area. This meant that organisations potentially had a different solution to satisfy their budgeting requirements compared to that of statutory reporting. The market now refers to these solutions as, 'Point Solutions'.

As the internet finally started to mature in the mid 1990's, vendors realised that they could capitalise on this platform and develop new products that could support a number of business processes under one common architecture. This is what gave rise to the BI/CPM revolution.

### Drivers for change

To examine the problems associated with legacy reporting systems in more detail, let us take the example of a fictitious manufacturing company. Raw Materials Plc. It has its headquarters in the UK and has 30 locations across the globe. It has aggressive growth initiatives and plans to expand into developing markets such as China and India.

It has been using a financial consolidation point solution, procured in 1995, and bespoke Excel workbooks which, have been developed internally. Each of the 30 locations has a copy of the software, a version of the database application and a set of workbooks. The solution is used to facilitate Management (Actual, Budget & Forecast) & Statutory reporting.

The organisation uses a multitude of general ledger packages around the group and does not operate under a common chart of accounts. Data is extracted from the ledger into Excel, manipulated and then manually re-keyed into the relevant reporting application.

The original system developer left the company in 2000 and limited training was given to the successor. Consequently, application changes have been somewhat limited and an increasing amount of development has taken place back in Excel.

Whether it is the maintenance of existing sites installations or indeed bringing new sites on line, it is a time consuming and costly affair. The installation and training process can only be done by way of a physical visit to the location.

Does any of this sound familiar?

### Legacy Reporting Systems

Raw Materials Plc is faced with a variety of issues with its finance systems. Some of these issues can be compartmentalised into the following headings:

#### 1. Architecture & Database Technology:

Out of date, unscalable and unsupported database technology.

Database architecture based upon a fixed number of dimensions, thus reducing the analytical capabilities of the product.

#### 2. Application Overload:

Numerous applications in use, due to inability to have a single application for all reporting needs. Maintenance of multiple applications causes a large overhead.

Collation and validation of data across various applications, causing

unnecessary duplication of data and issues with data integrity.

3. Inefficient Processes:

In a distributed environment, rolling out structure updates can be an arduous, error-prone exercise with the responsibility on the user to ensure the update is processed correctly.

Data updates via file transfers impacts the organisation's ability to enforce the "one version of the truth" principle.

Collaboration is difficult as there is no single repository to which users are able to refer to.

Report development is impeded due to the inability to hold non-financial information.

Unable to enforce intercompany reconciliation processes, as users are able to submit intercompany balances without having to match these entries with the counter party.

Informal approval/workflow process, easily outmaneuvered and thereby in direct contradiction with compliance requirements.

Limited integration of source ledger systems, therefore placing heavy reliance on manual data entry.

Reporting cycles may be held in separate data repositories [Actual, Budget, etc] thus making it difficult to see the overall result and strategise accordingly.

4. Product Knowledge & Expertise:

Lack of internal product and application knowledge, updates become difficult to apply.

Lack of external market knowledge, difficult to procure assistance for development and further training.

A combination of the factors described above ultimately limit the flexibility and usefulness of the product. As this is considered to be a mission critical application, this poses a major risk.

**The Changing Role of Finance**

To thrive in today's environment, businesses need to harness the power of the data that exists within their organisations. Organisations often find that the raw data they require to operate their business efficiently does exist within the myriad of in house systems they possess. However, translating this into meaningful information, in a timely manner, is often where the problems begin to arise. It is imperative that quality information is delivered to the decision makers on an 'on-demand' basis to ensure organisations retain their competitive advantage.

In a time when cost cutting and headcount have an increased focus, finance departments are being pushed to provide a wider spectrum of services to the enterprise. They are no longer simply the gate keepers to financial information, but rather, need to act as true business partners to the various operations and provide both qualitative and quantitative information.

**What is Corporate Performance Management?**

CPM and the many variants that exist may be an unfamiliar notion, but their conceptual underpinnings are not. The earlier incarnations, be they Management Information Systems (MIS), Executive Information Systems (EIS) and Decision Support Systems (DSS), were based on similar information management objectives. The distinct advantage over earlier concepts is the truly unified technology now available to manage these processes and applications.

Simply put, it is a framework for organizing, automating and

analysing business methodologies, metrics, processes, and systems that drive and enhance the performance of an enterprise, thus, facilitating the execution of corporate objectives and strategy.

At the centre of the CPM framework are planning, budgeting, consolidation and analytic applications, all of which use a common, centralised database. This in turn facilitates the 'closed-loop' theory, which is closely associated with performance management. The 'closed-loop' concept assumes common data flows through all of the applications that make up your CPM solution and thus, as business drivers change, plans, budget and forecasts are updated in accordance.

**CPM – Next Generation Reporting**

CPM has been proven to have a direct impact on the topline performance of an organisation and directly help to automate, manage and streamline business processes. While there are a multitude of benefits you can achieve from adopting a CPM solution, four of the key areas where you can see rapid and tangible returns are:

1. Transparency:

Business processes will become absolutely transparent to the enterprise. This greatly improves visibility, collaboration and efficiency. Bottlenecks can be clearly identified and removed. It can highlight where delays are occurring and track each element of a process as it passes through a particular workstream. This in turn will also help any compliance pressures that you may have to adhere to.

2. Consistent Business Processes:

Every instance of a process gets executed exactly as you have defined it, there can be no deviation from this. This in turn also means that a common methodology can be used to monitor and assess process efficiencies amongst the user community.

### 3. Centralised Data:

With all performance related data in a single and centralised repository, there will be many benefits that can be realised. Some of these are:

- A standard, up-to-date technology used by the entire organisation

- No local instances of software

- No file transfers relating to application or product updates

- No collection of data submissions

- Common data and rules

- A single place to look for all financial and non-financial data

- A responsive platform to adapt to new reporting requirements

- Proactive reporting for exceptions and alerts

### 4. Decision Making:

With a combination of built-in financial intelligence and robust, flexible database technology, your users can spend more time on decision making activities, rather than simply collecting and processing the data.

### The Evaluation Process

When an organisation is confronted with choosing a new CPM system, the decision can often be very confusing and complex. At first glance, all vendors will appear to offer a similar, if not identical solution.

To a degree, this statement is correct. The skill is to clearly and precisely match your internal processes and requirements with the vendor's offerings. Then, evaluate whether they can be satisfied in their entirety, rather than being guided or indeed duped by the vendor to change your processes to fit with their product functionality!

#### 1. Understand & Assess Business Requirements:

Before collaborating with the vendors, you first need to assess your business and operational requirements. Then set the strategic goals and associated measures of success. This product agnostic analysis will address what your current procedures and process are, the deficiencies associated with these and what you ultimately require as an end result.

During this first phase, the evaluation team should also be established. It should contain cross-functional members which will comprise of representatives from all of the key stakeholder groups, especially Finance and IT.

It also imperative that at this stage, 'scoring criteria' is identified so that throughout the following phases, a clear mechanism will be in place to rank the vendors offerings in terms of their understanding of your business issues, product functionality and market presence.

#### 2. Request for Proposal (RFP) & Initial Vendor Evaluation:

You must now decide who should make the vendor shortlist and also determine under what basis they qualify. Typically, a set of four vendors would be assessed. Do not overlook vendors who are unfamiliar. They could have a better solution or deliver equal functionality for less cost.

Using the business requirements definition as a foundation, you must now create the Request for Proposal (with scoring criteria), that will be submitted to each one of the vendors you decide to evaluate. The RFP will be the primary document which you use to assess the vendors and must represent both finance and IT requirements. It is imperative to ensure that the questions you ask are clear, precise and most importantly, challenge the vendor.

Based upon the feedback from the RFP process and scoring, evaluate the vendors product and hone in those areas which are of particular importance to your organisation's requirements. The outcome of this process will result in further narrowing down the vendors short listed. Ultimately, the goal is to see if any vendor has failed to meet your "must have" and "like to have" requirements.

#### 3. Vendor Interviews & Proof of Concept:

We would recommend that you consider a proof-of-concept exercise as part of the vendor interview process. This would be a customised demo specific to your requirements. All vendors can present an impressive demonstration that highlights the standard features most clients ask about. You need to push the vendors into areas that are unlikely to be part of a canned demo such as ease of setup, use and maintenance. Have the demo customised to your particular needs, focusing on the functionality you will use most often. Ask to see how one of your standard reports would look or how the system would handle some of your toughest calculations and logic.

Throughout the entire process, keep in mind that you are selecting not

just a product, but a strategic partner as well. You need to determine if their people will integrate well into your team and company culture. Also whether they are financially stable and have a strong vision for the future of the product.

4. Due Diligence, Final Selection & Negotiation:  
 Finally, we would recommend you visit at least three reference clients. Use this opportunity to understand their experiences during their process. Although references are advocates for a particular solution, they are generally very honest and therefore, use the sessions to learn about their relationship with the vendor, how the implementation went and of course whether the vendor has been responsive, post the go-live date. In conjunction with the above, independent market analysis should also be conducted to further narrow down your choice.

By conducting a thorough evaluation, organisations can save time, money and most importantly reduce the element of risk. Implementing a flexible and repeatable model for evaluations, will give all stakeholder groups comfort that the evaluation was fair and complete, which will give the resulting project the organisational buy-in it will need to succeed.

A typical CPM adoption strategy tends to focus on the development stages of a project lifecycle, whereas, the vendor selection process often receives far less attention. So why is the vendor selection exercise so important and what are the risks associated with not adopting a comprehensive selection process?

**Risk Mitigation**

1. The Market:

The CPM market has experienced rapid growth and turbulence as it continues to mature and converge with BI and enterprise applications. This consolidated market has meant Mega Vendors have eclipsed smaller vendors and new entrants, making it harder for them to get the same consideration. A common misconception is that by limiting the selection to the market leaders, the risk is mitigated; however this argument has its flaws. By dismissing niche or emerging players at the outset, you may be foregoing the chance of working with a flexible, more responsive partner, who could provide an inexpensive solution to your business requirements.

2. The Sales Pitch:  
 CPM vendors have an uncanny way of making their products sing and dance to the tune of the prospect. It will appear to the untrained eye that the vendor offering can easily satisfy the requirements set. However, you should question a) how clearly defined are your requirements and b) what has been achieved using the vanilla product and how much customisation has been used.

3. Communication:  
 It is generally accepted that vendor selection projects require a steering committee that is cross-functional and made up of representatives from all of the key stakeholder groups, thus providing a forum for balanced discussions. How can we ensure that the stakeholders are effective in communicating their requirements to the committee, and conversely, how can we ensure that they communicate the overall vision to their divisions/operations locally, and thus getting the required buy-in from the entire user community from the outset?

The issues and risks highlighted above are by no means exhaustive but hopefully go some way in proving that the vendor selection exercise is key to the overall success of a project. To this end a clear and comprehensive selection process is essential.

“The CPM market can be very confusing, with many vendors seeming to say the same thing and offering the same functionality and an ostensibly identical or similar solution, we decided we would need the assistance of a specialist consultancy. We probably would have come to the same conclusion but it would have taken another 5-6 months!”  
 Gerry Devanney  
 Group Financial Controller  
 The Premium Aircraft Interior Group



Quality through Partnership

Rinedata specialise in the selection, development and support of corporate performance management solutions. For over ten years Rinedata has delivered successful CPM solutions to numerous blue chip organisations across a wide range of industries. Our portfolio of experience encompasses SAP BPC, Infor PM, Oracle Hyperion, IBM Cognos and a selection of independent vendor solutions including Tagetik CPM and KCI Control.

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